

ment's account occurs an important item termed the Best,¹ and in the return under examination it amounted to £3,711,912, and represents the excess of the assets over the liabilities in the banking department.

The Best is of the nature of a reserve fund, and consists of the accumulated and undivided profits realised during the past by banking operations. Its amount affords an index to the rate of dividend upon the bank's capital, which will probably be declared from time to time, since it is the traditional practice of the bank so to limit the dividend (which is provided from the Best) that this fund shall never be reduced below £3,000,000.

A practical caution is needed here. The Best may be considered as the reserve held by the bank to the credit of the stockholders as a protecting fund for the subscribed capital—an internal safeguard, so to speak—but it is totally distinct and different from the Beserve hereafter to be explained, which expresses the cash security for the fulfilment of our entire commercial and financial indebtedness—furnishing, therefore, the external reserve or national protective fund.

The banking department differs in no way from ordinary banks in the conduct of its business; deposits are received for safe keeping from its customers (on which, however, unlike joint stock banks, no interest is allowed); advances are made upon securities, and bills of exchange are discounted.

The term Beserve² is not mentioned in the Be turn, nor is its amount separately expressed, but the elements of which it is constituted are individually furnished, so that an exact calculation is practicable. This provision is the predominant question of scrutiny by the financial world when each week's return is

¹ Best: derived from the Latin *re*, back or behind, and *stare*, to stand: meaning that which remains or is left over. It is interesting to note that until 1722 the bank periodically divided the whole of its profits among its stockholders, and created no reserve for contingencies. Hence the dividend fluctuated widely, and varied from 18*l* per cent, in 170*G* to 6 per cent, in 1722. Emergencies were then met by making calls upon the proprietors.

But in 1722 a sounder policy prevailed, and the Rest was formed.

² Keserve: derived from the Latin *re*, back, and *servare*, to keep, to save. The old French word *reserve* meant a store ; and we have a similarly formed term in *reservoir*, or a place where water is kept back or stored.